

**REMARKS**

The Office Action in the above-identified application has been carefully considered and this amendment has been presented to place this application in condition for allowance.

Accordingly, reexamination and reconsideration of this application are respectfully requested.

Claims 1-36 and 38-54, 67-70, and 73-125 are in the present application. It is submitted that these claims were patentably distinct over the prior art cited by the Examiner, and that these claims were in full compliance with the requirements of 35 U.S.C. § 112. The changes to the claims, as presented herein, are not made for the purpose of patentability within the meaning of 35 U.S.C. sections 101, 102, 103 or 112. Rather, these changes are made simply for clarification and to round out the scope of protection to which Applicants are entitled. Claims 55-66 and 71-72 are canceled.

All of the claims were rejected as being anticipated and/or obvious over various combinations of Yoshiura et al. (U.S. Patent 6,131,162), Milsted et al. (U.S. Patent 6,345,256), Finkelstein et al. (U.S. Patent 5,185,733), Gell (U.S. Patent 6,577,858), and Musgrave (U.S. Patent 6,208,746).

Yoshiura discloses various different watermarking techniques. However, there is no disclosure in Yoshiura of a system for vending materials by introducing a perceptible watermark in accordance with an invertible algorithm which impairs the material, communicating the watermarked material to a purchase (second client) and, following completion of a transaction, communicating data for removing the perceptible watermark. Essentially the inventive concept as defined for example in Claim 1 is to sell material over a communication network, wherein the

material is compression encoded whilst a perceivable watermark is introduced into that material, the watermark being removable by application of data defining the invertible algorithm and including a key for decrypting that data. The limitations that the material is processed by a transaction server to the effect of introducing a perceptible watermark in accordance with an invertible algorithm as part of a compression of the material which has an effect of introducing a perceivable impairment of the material provides an advantage. Providing the perceivably watermarked material to a client before purchase, and then allowing the client to contact the transactions server to obtain the key to decrypting the data defining the algorithm for inverting the watermark, allows a client to preview material in a form in which they would be discouraged to use or sell that material in the impaired form, whilst allowing them to purchase that material without having to receive a new copy of that material.

Much of the Examiner's analysis is based on the description of the fourth embodiment of Yoshiura which starts from line 19 on column 19 to line 17 in column 24 with reference to Figure 14. This embodiment relates to introducing a logo into material and providing an arrangement in which a user can confirm the authenticity of the logo by communicating with a mark management database. The consumer sends a URL of the web page which, has been received, to the mark management database, which performs a validity check of the watermark. Thus although this embodiment relates to the introduction of a logo there is no concept of compression of the material and introducing the watermark with the compression to provide a visible impairment. The Examiner then proceeds to select from column 14 between lines 20 and 25 that a watermark is extracted from the material. However, this passage from Yoshiura relates to the first embodiment in which the watermark is invisible. Furthermore there is no concept of removing the watermark to the effect or restoring material, the removal of the perceptible

watermark being then arranged to remove the impairment from the material.

The first embodiment disclosed in Yoshiura concerns introducing an invisible watermark to identify the material and the provenance of the material by generating a digital signature by encrypting a hash value derived from the material and embedding the digital signature into the material. The invention according to claim 1 therefore differs from this arrangement in providing a perceptible watermark which is invertible. In contrast, the first and second embodiments of Yoshiura concern hiding the watermark so that it is as far as possible not perceptible in the material as for example referred to in column 2 between lines 62 and 67. The embodiments therefore do not concern distributing that material with a perceivable watermark which can be removed by providing an invertible algorithm once a purchaser has satisfied the conditions for obtaining the material.

The Musgrave citation discloses the technical problem of vending material over the internet. Musgrave proposes generating biometric data which uniquely identifies the user and embedding that biometric data as a watermark into an encoded bit stream representing the material. As disclosed in column 4 the biometric data may be removed from the encoded bit stream or may be maintained in the bit stream after the encoded bit stream has been decoded. In order to remove the watermark the biometric data of the user concerned is required. However, there is no disclosure in Musgrave of the watermark being perceptible when applied to the material and no indication that this is supplied with an invertible algorithm. Furthermore, there is no disclosure of the watermark being applied in combination with providing a compression encoding process which has an effect of impairing the material. Thus there is no concept of vending the material by communicating the watermarked material and once predetermined conditions have been satisfied, such as payment to the vendor, removing the perceivable

watermark by receiving data identifying the invertible algorithm, thereby removing the impairment to restore the material.

For at least these reasons, any combination of Yoshiura, Milsted, Finkelstein, Gell, and Musgrave fails to anticipate or obviate the present invention and the rejected claims should now be allowed.

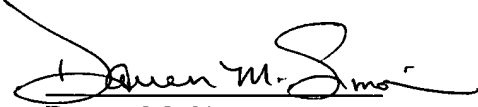
In view of the foregoing amendment and remarks, it is respectfully submitted that the application as now presented is in condition for allowance. Early and favorable reconsideration of the application are respectfully requested.

An extension of time fee is deemed to be required for the filing of this amendment. No additional fees are anticipated, but if such are required, the Examiner is hereby authorized to charge any insufficient fees or credit any overpayment associated with the above-identified application to Deposit Account No. 50-0320.

If any issues remain, or if the Examiner has any further suggestions, he/she is invited to call the undersigned at the telephone number provided below. The Examiner's consideration of this matter is gratefully acknowledged.

Respectfully submitted,  
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